

Property Tax Payments, 2002-2003

- Jennings County -

Indiana Legislative Services Agency

June 2005

The Indiana Supreme Court found Indiana's true tax value assessment rules to be unconstitutional in December 1998. Major changes in property tax payments in each county from 2002 to 2003 were caused by several factors, including:

- The move from the old true tax value assessment rules to the new market-oriented rules during the 2002-2003 property tax reassessment.
- Tax levy increases by local taxing units, which are influenced by spending and the availability of other revenue sources.
- The tax restructuring provisions enacted by the General Assembly in 2002 to help mitigate some of the effects of the assessment changes.

State Tax Credits Increased in Jennings County from \$3.0 Million in 2002 to \$5.4 Million in 2003.

The General Assembly's restructuring provisions increased state tax credits statewide in 2003 from \$1.12 billion to \$1.87 billion, an increase of approximately \$748 million. In Jennings County, state tax credits

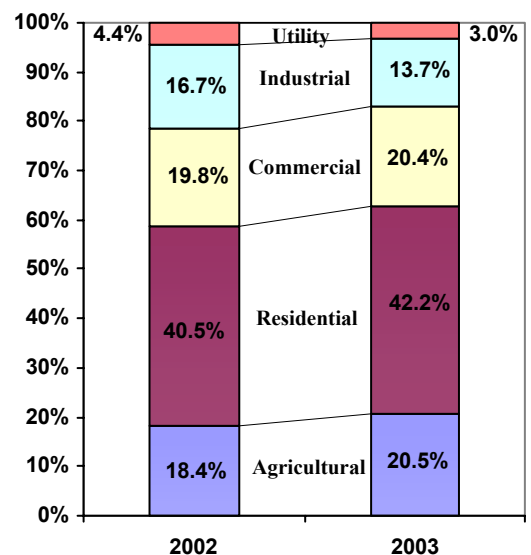
Table 1. Changes in AV and Tax Bills by Property Class for Jennings County, 2002-2003.

Property Class	Change In		
	Total Gross AV	Net AV	Net Tax Bill
Agricultural	91.3%	76.3%	7.0%
Residential (All)	92.5%	57.5%	-0.3%
Homestead Only	101.0%	53.1%	-3.3%
Commercial	42.2%	37.9%	-1.5%
Industrial	10.5%	6.9%	-21.6%
Utility	-5.6%	-5.6%	-34.3%
Avg. All Classes	67.4%	48.0%	-4.2%

increased from \$2.98 million to \$5.35 million, an increase of \$2.37 million. This paper provides a brief summary of how these factors changed property tax liabilities in Jennings County.

Tax Shifts. Tax bills for all classes of property but agriculture fell in Jennings County in 2003 (see Table 1). Agricultural property taxes rose. Gross real plus personal assessed values (AV) increased more for agriculture and residential property than for most business property. Residential net AV increased less than residential gross AV because of the large increase in the homestead deduction. Only the homestead portion of agricultural property was eligible for this deduction. Residential and agricultural net AV still increased more than business AV, however. As a result, residential property received a slight tax reduction and agricultural property saw a tax increase. Commercial, industrial, and utility property received tax reductions. [Restructuring also incorporated an increase in the Utility Receipts Tax to compensate for reduced property tax payments by utilities.] These figures include the effects of new

Figure 1. Share of Net Property Tax Billings in Jennings County.



* May not total 100% due to taxes paid by exempt/undefined parcels.

construction, demolition and remodeling of property, as well as the effects of reassessment, tax restructuring and levy increases.

Homeowners and Renters. The residential property type includes both homestead and non-homestead residential property. Owners of residential homesteads in Jennings County saw their tax bills decrease by a larger amount than the average residential property decrease. Owners of agricultural homesteads saw a slight increase in their tax bills. A property is eligible for the homestead deduction and credit if it is occupied by its owner and is the owner's primary residence. The increase in the homestead deduction from \$6,000 to \$35,000 is the reason that residential net assessed value rose so much less than gross assessed value.

Tax bills on non-homestead residential property, which is primarily rental property, increased while homestead taxes decreased. Taxes rose because rental assessments increased as much as homestead assessments, but rental property was not eligible for the homestead deduction or homestead credit.

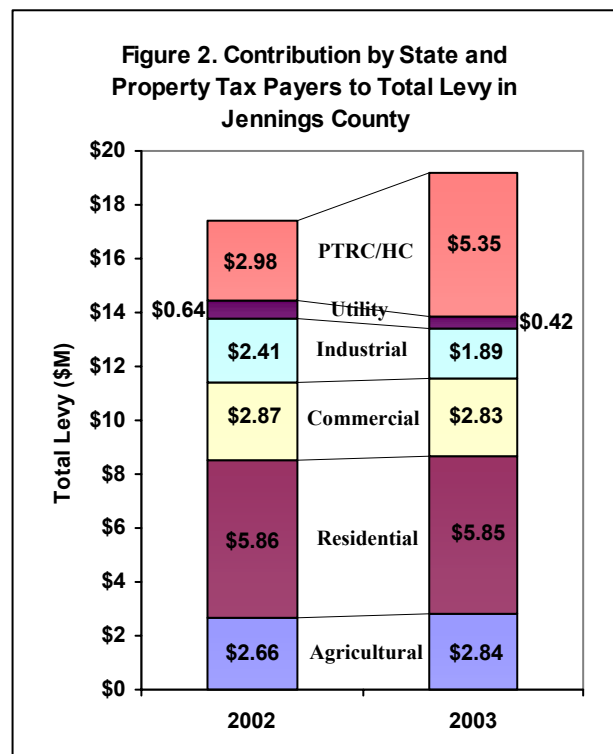
Table 2 shows tax changes for comparable properties, those with physical features that were unchanged from 2002 to 2003. In Jennings County, more residential property owners (including both homeowners and rental property owners) saw tax bill decreases than increases in 2003. Separately, two-thirds of all homestead owners saw tax decreases.

Table 2. Distribution of Net Tax Changes on Comparable Residential Property in Jennings County.				
	Residential - Actual -	Homestead - Actual -	Residential - NO Levy Change -	Homestead - NO Levy Change -
Increased	46.4%	32.2%	40.1%	23.0%
Decreased	53.6%	67.8%	59.9%	77.0%
Increased 100% or More	11.9%	4.1%	10.2%	3.4%
Decreased 25% or More	30.3%	31.5%	37.3%	43.0%
Average Change (\$)	-\$3	-\$70	-\$42	-\$127
Average Change (%)	-0.8%	-10.4%	-10.3%	-19.0%
* Percentages represent the percentage of parcels affected.				

Not all of the tax bill change was due to reassessment and tax restructuring. Some was due to increases in the tax levies of local units of government. Table 2 shows estimates of what would have happened had tax levies remained unchanged. The estimates are made by recalculating tax rates for 2003 using tax levies from 2002.

With no levy changes, 40% of all residential property owners would have seen tax increases, and 60% would have seen tax decreases. For homesteads, with no levy changes, about one-quarter of the homesteads would have seen tax increases, while over three-quarters would have seen decreases. With or without levy increases, reassessment and restructuring reduced the taxes of many more homeowners than they increased.

Agriculture. Taxes on agricultural property in Jennings County rose. Overall, agricultural business taxes rose more than agricultural homestead taxes. The net assessed value on non-homestead agricultural real property nearly doubled. This reflects the 112% increase in the base rate of farm land, from \$495 to \$1,050 per acre. Agricultural net personal property assessments increased by a small amount.



Business. Taxes on commercial, industrial, and utility property fell in Jennings County because assessed values on commercial and industrial property rose much less than agricultural assessments, and utility assessed values actually declined. Business real property was assessed closer to the market value standard under the old assessment rules than was residential property. Consequently, the shift to market value assessment increased business assessments less. The general rise in assessed values in Jennings County reduced tax rates, and this cut tax bills for owners of property with smaller assessment increases, like businesses.

Tax Restructuring. The tax restructuring of 2002 made significant changes to property tax assessments, deductions, credits, and hence to overall tax payments. Restructuring reversed personal property rule changes which the Department of Local Government Finance had put in place. It replaced one tax break for homeowners, known as the shelter allowance, with a larger (in most cases) homestead deduction. Restructuring also increased property tax replacement credits (PTRC) from the existing 20% credit. PTRC on school general fund levies is now 60% for all property. A 20% PTRC is paid to real property owners on civil levies plus the remaining school general fund levies (after the 60% credit). Restructuring also raised the homestead credit to 20% of net qualifying levies, instead of allowing it to revert to 4% of gross qualifying levies in 2003. Figure 2 shows the net levies paid by each property classification along with the PTRC and state homestead credit contributions. The contribution to local levies in Jennings County by PTRC and state homestead credit payments increased by approximately 79%, from \$3.0 million to \$5.4 million.

Table 3 shows estimates of how Jennings County tax bills would have changed for each property type had tax restructuring not been adopted. Tax increases for residential and agricultural property owners would have been large. The increases in the homestead deduction and PTRC in the tax restructuring reduced the size of these tax increases. Jennings County residential property taxes decreased slightly because the reassessment business-to-residential tax shift plus the increase in the tax levy were offset by the rise in the homestead deductions and higher state PTRC payments. The elimination of PTRC for personal property was responsible for reducing the tax cuts received by commercial, industrial and utility property. The percentage changes in the “With Restructuring” column of Table 3 correspond to the changes in the net levies in Figure 2.

Table 3. Effect of Tax Restructuring on Tax Bills by Property Type in Jennings County, 2002-2003.			
Property Type	No Restructuring (Estimated)	With Restructuring (Actual)	Difference
Agricultural	23.0%	7.0%	-16.0%
Residential (All)	37.0%	-0.3%	-37.3%
Homestead Only	53.1%	-3.3%	-56.4%
Commercial	-5.0%	-1.5%	3.5%
Industrial	-23.2%	-21.6%	1.6%
Utility	-42.9%	-34.3%	8.6%

List of Attached Summary Tables. Four summary tables are attached to provide additional information regarding assessed values and taxes by property class.

Summary Table 1: Comparison of 2002 and 2003 Net Property Tax Billings by Property Classification. This table summarizes net tax billings for real and personal property by property class. Additional information is provided for subclasses such as homesteads, agricultural homesteads, agricultural land, and rental properties.

Summary Table 2: Comparison of 2002 and 2003 Net Assessed Value by Property Classification. This table summarizes net assessed values for the same property classes described in Summary Table 1.

Summary Table 3: Changes in Assessed Values, Deductions, Credits, and Net Levies. This table summarizes the county-wide changes in tax bill components from 2002 to 2003 for real and personal property by property class.

Summary Table 4: Residential Property Summary. This table summarizes the assessed value and net tax changes from 2002 to 2003 for residential property. The table includes a distribution of net tax changes for comparable residential properties and for the homestead component of residential property. The table also depicts the distribution of changes as if there were no levy increase in 2003.

Jennings County
Changes in Assessed Values, Deductions, Credits and Net Levies
Pay 2002 - Pay 2003

	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Pay 2002							
Real Gross Assessed Value	570,195,015	130,007,274	334,734,688	251,663,419	55,999,941	49,298,592	154,520
Real Deductions	70,568,760	11,231,726	53,245,717	53,245,717	326,291	5,765,026	0
Real Net Assessed Value	499,626,255	118,775,548	281,488,971	198,417,702	55,673,650	43,533,566	154,520
Personal Gross Assd. Value	174,310,171	13,366,825	3,368,780	0	54,813,022	73,427,194	29,334,350
Personal Deductions	24,215,660	0	0	0	369,030	23,846,630	0
Personal Net Assd. Value	150,094,511	13,366,825	3,368,780	0	54,443,992	49,580,564	29,334,350
Total Gross Assessed Value	744,505,186	143,374,099	338,103,468	251,663,419	110,812,963	122,725,786	29,488,869
Total Deductions	94,784,420	11,231,726	53,245,717	53,245,717	695,321	29,611,656	0
Total Net Assessed Value	649,720,766	132,142,373	284,857,751	198,417,702	110,117,642	93,114,130	29,488,869
Gross Levy	17,588,299	3,202,552	7,416,125	5,164,140	3,381,013	2,841,093	747,517
PTRC (Calculated)	2,577,336	456,034	1,072,554	747,302	512,043	428,895	107,810
State/County Homestead Cr. (Calculated)	567,893	88,905	478,988	478,988	0	0	0
Net Levy	14,443,070	2,657,613	5,864,582	3,937,850	2,868,970	2,412,197	639,706
Pay 2003							
Real Gross Assessed Value	1,063,046,930	260,256,006	647,619,485	505,724,150	95,715,052	58,666,745	204,361
Real Deductions	256,080,354	41,224,463	202,030,009	202,030,009	1,957,598	10,621,361	0
Real Net Assessed Value	806,966,576	219,031,543	445,589,476	303,694,141	93,757,454	48,045,384	204,361
Personal Gross Assd. Value	183,620,713	13,948,970	3,203,490	0	61,895,685	76,946,264	27,626,304
Personal Deductions	29,192,018	0	0	0	3,757,710	25,434,308	0
Personal Net Assd. Value	154,428,695	13,948,970	3,203,490	0	58,137,975	51,511,956	27,626,304
Total Gross Assessed Value	1,246,667,643	274,204,976	650,822,975	505,724,150	157,610,738	135,613,009	27,830,664
Total Deductions	285,272,372	41,224,463	202,030,009	202,030,009	5,715,308	36,055,669	0
Total Net Assessed Value	961,395,271	232,980,513	448,792,966	303,694,141	151,895,430	99,557,340	27,830,664
Gross Levy	19,405,789	4,117,505	8,770,950	5,930,840	3,616,334	2,376,830	517,231
PTRC (Calculated)	5,045,425	1,188,555	2,482,472	1,678,896	790,669	484,700	97,101
State/County Homestead Cr. (Calculated)	526,666	84,132	442,534	442,534	0	0	0
Net Levy	13,833,698	2,844,818	5,845,945	3,809,410	2,825,665	1,892,130	420,131
COMPARISONS							
Net Levy Percent Change	-4.2%	7.0%	-0.3%	-3.3%	-1.5%	-21.6%	-34.3%
Contributions to Tax Bill Changes, 2002-2003							
Percent Changes	Total	Agriculture	Residential	Res-Hmstd	Commercial	Industrial	Utility
Gross Real AV	86.4%	100.2%	93.5%	101.0%	70.9%	19.0%	32.3%
Gross Personal AV	5.3%	4.4%	-4.9%	0.0%	12.9%	4.8%	-5.8%
Total Gross Assessed Value	67.4%	91.3%	92.5%	101.0%	42.2%	10.5%	-5.6%
Net Assessed Value	48.0%	76.3%	57.5%	53.1%	37.9%	6.9%	-5.6%
Gross Levy	10.3%	28.6%	18.3%	14.8%	7.0%	-16.3%	-30.8%
Net Levy	-4.2%	7.0%	-0.3%	-3.3%	-1.5%	-21.6%	-34.3%

Actual State Credits, 2002 and 2003

	2002	2003	Change	Change%
PTRC (Abstract)	2,389,702	4,819,240	2,429,539	101.7%
State Homestead Cr. (Abstract)	592,204	529,499	-62,705	-10.6%
Total State Credits (Abstract)	2,981,906	5,348,740	2,366,833	79.4%

Comparison of 2002 and 2003 Net Property Tax Billings*
(Scaled to Abstract Values)
By Property Classification**
Jennings County

Property Classification	2002 Net Tax	2003 Net Tax	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	2,657,613	2,844,818	187,205	7.0%	18.4%	20.5%	2.2%
Residential	5,864,582	5,845,945	-18,637	-0.3%	40.5%	42.2%	1.7%
Commercial	2,868,970	2,825,665	-43,305	-1.5%	19.8%	20.4%	0.6%
Industrial	2,412,197	1,892,130	-520,067	-21.6%	16.7%	13.7%	-3.0%
Utility	639,706	420,131	-219,575	-34.3%	4.4%	3.0%	-1.4%
Exempt	29,760	27,125	-2,635	-8.9%	0.2%	0.2%	0.0%
Undefined	0	5,010	5,010		0.0%	0.0%	0.0%
Total	14,472,828	13,860,824	-612,004	-4.2%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	2,380,778	2,647,258	266,480	11.2%	16.4%	19.1%	2.6%
Residential	5,792,316	5,803,951	11,635	0.2%	40.0%	41.9%	1.9%
Commercial	1,433,178	1,633,749	200,571	14.0%	9.9%	11.8%	1.9%
Industrial	1,139,622	856,611	-283,011	-24.8%	7.9%	6.2%	-1.7%
Utility	3,208	2,557	-651	-20.3%	0.0%	0.0%	0.0%
Exempt	29,760	27,125	-2,635	-8.9%	0.2%	0.2%	0.0%
Undefined	0	5,010	5,010		0.0%	0.0%	0.0%
Total	10,778,862	10,976,261	197,399	1.8%	74.5%	79.2%	4.7%
Agricultural Homesteads	1,210,514	1,254,188	43,674	3.6%	8.4%	9.0%	0.7%
Residential Homesteads	3,937,850	3,809,410	-128,440	-3.3%	27.2%	27.5%	0.3%
Total Homesteads	5,148,364	5,063,598	-84,766	-1.6%	35.6%	36.5%	1.0%
Non-Homestead Residential	1,854,466	1,994,541	140,075	7.6%	12.8%	14.4%	1.6%
Apartments (Over 4 Units)	189,744	227,821	38,077	20.1%	1.3%	1.6%	0.3%
<u>Personal Property Only</u>							
Agricultural	276,835	197,560	-79,275	-28.6%	1.9%	1.4%	-0.5%
Residential	72,267	41,994	-30,273	-41.9%	0.5%	0.3%	-0.2%
Commercial	1,435,792	1,191,916	-243,876	-17.0%	9.9%	8.6%	-1.3%
Industrial	1,272,576	1,035,519	-237,057	-18.6%	8.8%	7.5%	-1.3%
Utility	636,498	417,573	-218,925	-34.4%	4.4%	3.0%	-1.4%
Total	3,693,968	2,884,562	-809,406	-21.9%	25.5%	20.8%	-4.7%
Total Depreciables	2,771,834	1,994,736	-777,098	-28.0%	19.2%	14.4%	-4.8%
Total Inventory	849,867	847,832	-2,035	-0.2%	5.9%	6.1%	0.2%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	1,170,265	1,393,070	222,805	19.0%	8.1%	10.1%	2.0%
Ag Personal	276,835	197,560	-79,275	-28.6%	1.9%	1.4%	-0.5%
Total Ag Business	1,447,100	1,590,630	143,530	9.9%	10.0%	11.5%	1.5%
Ag Homesteads	1,210,514	1,254,188	43,674	3.6%	8.4%	9.0%	0.7%

* "Tax billings" for real property refers to the net taxes charged per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Tax billings" for personal property refers to the net taxes charged on the personal property assessed value reported on the county auditor's abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net tax changes from 2002 to 2003 include effects of changes in assessment methods, local levies, real property physical characteristics, property use, personal property held or acquired, deductions, and credits.

Comparison of 2002 and 2003 Net Assessed Value*
(Scaled to Abstract Values)
By Property Classification**
Jennings County

Property Classification	2002 Net AV	2003 Net AV	Difference***	Change***	2002 % of Total Real + Pers	2003 % of Total Real + Pers	Change
<u>Real + Personal</u>							
Agricultural	132,142,373	232,980,513	100,838,140	76.3%	20.3%	24.2%	3.9%
Residential	284,857,751	448,792,966	163,935,215	57.5%	43.8%	46.6%	2.8%
Commercial	110,117,642	151,895,430	41,777,788	37.9%	16.9%	15.8%	-1.1%
Industrial	93,114,130	99,557,340	6,443,210	6.9%	14.3%	10.3%	-4.0%
Utility	29,488,869	27,830,664	-1,658,205	-5.6%	4.5%	2.9%	-1.6%
Exempt	1,124,775	1,545,370	420,595	37.4%	0.2%	0.2%	0.0%
Undefined	0	338,358	338,358		0.0%	0.0%	0.0%
Total	650,845,540	962,940,641	312,095,101	48.0%	100.0%	100.0%	0.0%
<u>Real Property Only</u>							
Agricultural	118,775,548	219,031,543	100,255,995	84.4%	18.2%	22.7%	4.5%
Residential	281,488,971	445,589,476	164,100,505	58.3%	43.2%	46.3%	3.0%
Commercial	55,673,650	93,757,454	38,083,804	68.4%	8.6%	9.7%	1.2%
Industrial	43,533,566	48,045,384	4,511,818	10.4%	6.7%	5.0%	-1.7%
Utility	154,520	204,361	49,841	32.3%	0.0%	0.0%	0.0%
Exempt	1,124,775	1,545,370	420,595	37.4%	0.2%	0.2%	0.0%
Undefined	0	338,358	338,358		0.0%	0.0%	0.0%
Total	500,751,030	808,511,946	307,760,916	61.5%	76.9%	84.0%	7.0%
Agricultural Homesteads	62,464,232	107,286,738	44,822,506	71.8%	9.6%	11.1%	1.5%
Residential Homesteads	198,417,702	303,694,141	105,276,439	53.1%	30.5%	31.5%	1.1%
Total Homesteads	260,881,934	410,980,879	150,098,945	57.5%	40.1%	42.7%	2.6%
Non-Homestead Residential	83,071,268	141,895,335	58,824,067	70.8%	12.8%	14.7%	2.0%
Apartments (Over 4 Units)	6,933,318	12,011,318	5,078,000	73.2%	1.1%	1.2%	0.2%
<u>Personal Property Only</u>							
Agricultural	13,366,825	13,948,970	582,145	4.4%	2.1%	1.4%	-0.6%
Residential	3,368,780	3,203,490	-165,290	-4.9%	0.5%	0.3%	-0.2%
Commercial	54,443,992	58,137,975	3,693,983	6.8%	8.4%	6.0%	-2.3%
Industrial	49,580,564	51,511,956	1,931,392	3.9%	7.6%	5.3%	-2.3%
Utility	29,334,350	27,626,304	-1,708,046	-5.8%	4.5%	2.9%	-1.6%
Total	150,094,511	154,428,695	4,334,184	2.9%	23.1%	16.0%	-7.0%
Total Depreciables	111,932,581	107,932,624	-3,999,957	-3.6%	17.2%	11.2%	-6.0%
Total Inventory	34,793,150	43,292,581	8,499,431	24.4%	5.3%	4.5%	-0.8%
<u>Agricultural Only</u>							
Ag Non-Hmstd Real	56,311,316	111,744,805	55,433,489	98.4%	8.7%	11.6%	3.0%
Ag Personal	13,366,825	13,948,970	582,145	4.4%	2.1%	1.4%	-0.6%
Total Ag Business	69,678,141	125,693,775	56,015,634	80.4%	10.7%	13.1%	2.3%
Ag Homesteads	62,464,232	107,286,738	44,822,506	71.8%	9.6%	11.1%	1.5%

* "Net Assessed Value" for real property refers to the gross AV less deductions per the parcel level data received from county auditors and assessors, scaled to values reported on the county auditor's abstract.

* "Net Assessed Value" for personal property refers to the gross personal property assessed value reported on the county auditor's abstract less the deductions reported on the abstract.

** Property class was determined using a combination of county auditor parcel-level real property tax data, county assessor parcel-level real property assessment data, county auditor abstracts, Form 15 personal property assessment data, business and farmer's personal property tax returns over \$150,000 AV, and state distributable utility tax returns.

*** Net AV changes from 2002 to 2003 include effects of changes in assessment methods, real property physical characteristics, property use, personal property held or acquired, and deductions.

**Jennings County
Residential Property Summary
2003 Reassessment**

Property Type	Change in Gross AV 2001 to 2003	Change in Net AV 2001 to 2003	Change in Net Tax 2002 to 2003	Change in Net Tax With NO Cert. Levy Chg. 2002 to 2003
All Real Residential Properties	108%	70%	7%	-3%
Comparable Residential Real Prop.	93%	57%	-1%	-10%
Comparable Homesteads	95%	44%	-10%	-19%

Distribution of Net Tax Changes on Comparable Residential Property

% Change		2002 to 2003 Actual Bills All Residential Property		2002 to 2003 Actual Bills Homesteads Only		2002 to 2003 Recomputed Bills With NO Certified Levy Change All Residential Property		2002 to 2003 Recomputed Bills With NO Certified Levy Change Homesteads	
Over	300%	469	3.7%	65	1.1%	432	3.4%	59	1.0%
200%	to 300%	329	2.6%	39	0.7%	201	1.6%	31	0.5%
100%	to 200%	719	5.6%	132	2.3%	672	5.2%	111	1.9%
50%	to 100%	824	6.4%	236	4.1%	706	5.5%	167	2.9%
25%	to 50%	1,262	9.9%	389	6.8%	887	6.9%	251	4.4%
10%	to 25%	1,206	9.4%	414	7.3%	933	7.3%	313	5.5%
5%	to 10%	365	2.8%	228	4.0%	473	3.7%	130	2.3%
0	to 5%	772	6.0%	336	5.9%	835	6.5%	248	4.3%
0	to -5%	466	3.6%	358	6.3%	403	3.1%	241	4.2%
-5%	to -10%	486	3.8%	402	7.0%	478	3.7%	321	5.6%
-10%	to -25%	2,031	15.9%	1,304	22.9%	2,008	15.7%	1,378	24.2%
-25%	to -50%	3,098	24.2%	1,279	22.4%	3,637	28.4%	1,763	30.9%
Below	-50%	783	6.1%	521	9.1%	1,145	8.9%	690	12.1%
		12,810	100.0%	5,703	100.0%	12,810	100.0%	5,703	100.0%
Parcels With Increases		5,946	46.4%	1,839	32.2%	5,139	40.1%	1,310	23.0%
Parcels With Reductions		6,864	53.6%	3,864	67.8%	7,671	59.9%	4,393	77.0%
Average \$ Change			-\$3		-\$70		-\$42		-\$127
Average % Change			-0.8%		-10.4%		-10.3%		-19.0%

"Comparable Properties" = Properties with a record in both years that have improvements in both years OR no improvements in both years.

Data Source: 2001 and 2003 County Parcel Tax Data - County Auditor and County Assessor

Prepared by Legislative Services Agency, June 2005.